



State Employee Benefits Committee
Group Universal Life Program Renewal
January 22, 2018

Life Insurance Program Background

- Beginning in 2003, the State of Delaware offered a Group Universal Life (GUL) benefit to Active employees, Ported (terminated and retired) employees, disabled employees and board members of the State of Delaware.
 - ❑ Includes Accidental Death and Dismemberment (AD&D) benefits
 - ❑ Offered on a group basis – lower rates than typical with individual coverage
 - ❑ Provides a death benefit and optional interest accumulating post-tax basis cash account
 - ❑ 100% voluntary and paid for by the participants
 - ❑ Insured with Minnesota Life
 - ❑ Waiver of premium for disabled employees was funded by a fixed account through December 31, 2013. Premiums for disabled participants were absorbed and funded through active employee premiums as approved by the SEBC effective January 1, 2014.

Life Insurance Program Background 2003 – 2015 (continued)

➤ GUL Benefits continued

- ❑ Employees can purchase 1 - 6 times annual base salary, up to \$350,000
- ❑ 1 to 3 times annual base salary up to \$200,000 without Evidence of Insurability (EOI)
- ❑ 4 to 6 times annual base salary up to \$350,000 with EOI
- ❑ Accelerated Death Benefit of full or partial life benefit.
- ❑ Receive early payment of benefits, up to 100% of face amount if employee, spouse, or child become terminally ill with a life expectancy of 12 months or less
- ❑ Optional Cash Accumulation Account
 - ❑ Currently the contributions earn interest that is guaranteed not to be less than 4%.
- ❑ Dependent Life Benefits
 - ❖ Spouse Option - \$10,000 or \$20,000
 - ❖ Child Option - \$10,000 per child(ren)

Life Insurance Program Background 2003 – 2015 (continued)

- Unique Features and Challenges With Current Life Program:
 - ❑ A non-insured waiver of premium benefit
 - ❖ The waiver of premium provision waives the premium for employees due to total disability. A non-insured waiver of premium means no reserves were set aside to cover the cost of insurance for the disabled employees. Since there were no reserves, the disabled employees would have continued to be a part of the State's group if the Minnesota Life program was terminated.
 - ❑ Ported (terminated and retired) employees had the ability to remain part of group coverage by keeping 50% of the insurance coverage amount in force the day prior to employment separation.
 - ❑ Ported employees also had the option to convert the remaining 50% of the insurance coverage into an individual policy with Minnesota Life based on current age.
 - ❑ Rates were the same for the active employees and ported participants.
- Ported group's claims to premium ratio was 126.3% over the five calendar years ending December 31, 2013.
- Overall claims to premium ratio was 77.9% over the five calendar years ending December 31, 2013. This ratio would be 62.0% if the Ported group was excluded.

* Typical life insurance target loss ratio is between 82% - 90%.

Life Insurance Program effective July 1, 2015 through June 30, 2018

➤ Plan Design:

- ❑ Same benefits as offered 2003 – 2015.
 - ❑ Employees can purchase 1 - 6 times annual base salary, up to \$350,000
 - ❑ 1 to 3 times annual base salary up to \$200,000 without Evidence of Insurability (EOI)
 - ❑ 4 to 6 times annual base salary up to \$350,000 with EOI
 - ❑ Accelerated Death Benefit of full or partial life benefit.
 - ❑ Receive early payment of benefits, up to 100% of face amount if employee, spouse, or child become terminally ill with a life expectancy of 12 months or less
 - ❑ Optional Cash Accumulation Account
 - ❑ Currently, with Securian*, the contributions earn interest that is guaranteed not to be less than 4%.
 - ❑ Dependent Life Benefits
 - ❖ Spouse Option - \$10,000 or \$20,000
 - ❖ Child Option - \$10,000 per child(ren)

* Minnesota adopted the name of the brand of their parent company Securian Financial Group (Securian)

Life Insurance Program effective July 1, 2015 through June 30, 2018

➤ Rate Changes:

- 7.7% lower rates to Actives*
- Ported group rates remained the same
- Rates guaranteed for three years and renewal increases capped for optional years four and five at 20.0% based on loss ratio.
- Employees disabled on or after July 1, 2015 were put on insured waiver of premium.

➤ Active Port Option:

- Employees hired before July 1, 2015 can port 50% of insurance coverage and convert the remaining 50% of coverage to Securian's individual pooled rates based on current age.
- Employees hired on or after July 1, 2015 can port 100% of insurance coverage to Securian's group pooled rate based on current age.

➤ Disabled Port Option:

- Employees hired before July 1, 2015 can port 50% of insurance coverage and convert the remaining 50% of coverage to Securian's individual pooled rates based on current age.
- Employees hired on or after July 1, 2015 can port 100% of insurance coverage to Securian's individual pooled rate based on current age.

*4.7% reduction in total premiums paid for active and dependent coverage

Renewal observations

Plan experience review

- The chart below illustrates the aggregate active GUL, grandfathered port GUL and dependent term life experience from 7/1/2015 – 9/30/2018 to align with the periods evaluated by Securian in the renewal
- The loss ratio (ratio of incurred claims to premium) for the 27 month period was 100%; Securian illustrated a tolerable loss ratio (TLR) of 85% on GUL and 90% on dependent term life
 - ❑ A TLR of 85% indicates that Securian strives to have \$0.85 of every dollar of premium (85%) used to fund claim liability, with \$0.15 reserved for premium taxes, vendor expenses and profits

Period	Constant Premium	Incurred Death Claims	Change in Waiver Reserves ¹	Total Incurred Claims	Constant Loss Ratio
7/2015 - 6/2016	\$10,191,000	\$6,941,000	\$1,614,000	\$8,555,000	83.9%
7/2016 - 6/2017	\$10,631,000	\$10,374,000	\$1,089,000	\$11,463,000	107.8%
7/2017 - 9/2017	\$2,734,000	\$2,296,000	\$1,340,000	\$3,636,000	133.0%
Total	\$23,556,000	\$19,611,000	\$4,043,000	\$23,654,000	100.4%

¹Change in Waiver Reserves are from the Active GUL plan only where waiver of premium was added to the plan 7/1/2015.

Renewal observations continued

Points to note:

- Waiver of Experience Change effective 7/1/2015
 - ❑ Waiver of premium was implemented 7/1/2015 and waiver experience is immature. Experience indicates waiver liability makes up 31% of total incurred claims, while benchmark is in the 10%-15% range
 - ❑ As waiver experience has not had time to stabilize, Securian is assuming the program will run-out more favorably than current trend indicates
- Grandfathered Employee and Grandfathered Dependent Port Experience are driving the plan experience at 97% and 307% loss ratios; since no employees hired after 7/1/2015 are able to enter this plan, the plans will shrink over time, limiting the impact to the overall program

Life and AD&D Renewal Offer FY18 and FY19

Financial summary

- The following is a summary of the GUL, Dependent Life and Supplemental AD&D renewal position:
 - Securian’s initial renewal offer included a rate hold to the active GUL plan and larger increases to the Grandfathered Port GUL plan as well as the Dependent Life plan
 - Securian further agreed to minimize rate impact to the Grandfathered Port population by agreeing to a 6.6% increase for all life plan designs with a two year rate guarantee

Coverage	Current Premium	Initial Renewal		Recommended Renewal	
		Renewal Premium	Change (%)	Renewal Premium	Change (%)
Active GUL	\$5,904,000	\$5,904,000	0.0%	\$6,293,000	6.6%
Grandfathered Port GUL	\$4,614,000	\$5,307,000	15.0%	\$4,919,000	6.6%
Active Dependent Term Life	\$312,000	\$374,000	20.0%	\$332,000	6.6%
Grandfathered Port Dependent GUL	\$107,000	\$128,000	20.0%	\$114,000	6.6%
Supplemental AD&D	\$558,000	\$558,000	0.0%	\$558,000	0.0%
Total Life/AD&D	\$11,495,000	\$12,271,000	6.8%	\$12,216,000	6.3%

Plan Enhancements Offered

- Dependent Child Coverage – Offer additional dependent child option of \$20,000
 - ❑ Rate = \$2.48/month
- Offer Open Enrollment Opportunity – May 2018
 - ❑ Current active employee participants may increase Group Universal Life Insurance by one level up to the guaranteed issue amount of the lesser of 3x salary, or \$200,000, without providing Evidence of Insurability.
 - ❑ Active employees not currently enrolled for Group Universal Life coverage may elect up to the guaranteed issue limit of the lesser of 3x salary or \$200,000, without providing Evidence of Insurability.
 - ❑ Employees who want to increase or elect coverage above the guaranteed issue limit will be encouraged to do so.
 - ❑ Exception: Previously declined employees are not eligible. Employees with ported coverage are also not eligible.
 - ❑ To support this annual enrollment, Securian will directly engage employees to educate and provide decision-making tools, which encourage enrollment through postcards and benefit fairs as well as exploring custom emails.

Recommendation – 6.6% increase for Active Employees and Grandfathered ported groups and addition of Dependent coverage of \$20,000 for July 1, 2018 – June 30, 2020

Employee Rate Per \$1,000 of Insurance*

Age Group	Current Life Rates		Proposed Life Rates	
	Active	Ported	Active	Ported
<30	\$0.050	\$0.052	\$0.052	\$0.054
30 – 34	\$0.059	\$0.062	\$0.061	\$0.065
35 – 39	\$0.077	\$0.082	\$0.081	\$0.086
40 – 44	\$0.096	\$0.102	\$0.101	\$0.107
45 – 49	\$0.142	\$0.152	\$0.150	\$0.161
50 – 54	\$0.244	\$0.262	\$0.259	\$0.278
55 – 59	\$0.382	\$0.412	\$0.406	\$0.438
60 – 64	\$0.594	\$0.642	\$0.632	\$0.683
65 – 69	\$1.037	\$1.122	\$1.104	\$1.195
70 – 74	\$1.837	\$1.990	\$1.958	\$2.121
75 – 79	\$2.843	\$3.080	\$3.031	\$3.283
80 – 84	\$4.357	\$4.720	\$4.645	\$5.032
85	\$4.449	\$4.820	\$4.743	\$5.138
86	\$4.763	\$5.160	\$5.077	\$5.501
87	\$5.113	\$5.540	\$5.450	\$5.906
88	\$5.483	\$5.940	\$5.845	\$6.332
89	\$5.889	\$6.380	\$6.278	\$6.801
90	\$6.323	\$6.850	\$6.740	\$7.302
91	\$6.830	\$7.400	\$7.281	\$7.888
92	\$7.393	\$8.010	\$7.881	\$8.539
93	\$8.067	\$8.740	\$8.599	\$9.317
94	\$8.852	\$9.590	\$9.436	\$10.223
95	\$10.088	\$10.930	\$10.754	\$11.651
96	\$12.119	\$13.130	\$12.919	\$13.997
97	\$15.608	\$16.910	\$16.638	\$18.026
98	\$21.543	\$23.340	\$22.965	\$24.880
99	\$23.140	\$25.070	\$24.667	\$26.725

Dependent Rates* (rate per dependent per month)

Group	Current	Proposed
Spouse Only 10,000	\$3.08	\$3.28
Spouse Only 20,000	\$7.05	\$7.52
Child Only 10,000	\$1.16	\$1.24
Child Only 20,000	Not offered	\$2.48

Appendix

Rates Prior to July 1, 2015 and Current Rates Effective July 1, 2015 – June 30, 2018

Employee Rate Per \$1,000 of Insurance*

Age Group	Rates Before 7-1-15	Current Rates 7-1-15 to 6-30-18	
		Active	Ported
<25	\$0.052	\$0.050	\$0.052
25 – 29	\$0.052	\$0.050	\$0.052
30 – 34	\$0.062	\$0.059	\$0.062
35 – 39	\$0.082	\$0.077	\$0.082
40 – 44	\$0.102	\$0.096	\$0.102
45 – 49	\$0.152	\$0.142	\$0.152
50 – 54	\$0.262	\$0.244	\$0.262
55 – 59	\$0.412	\$0.382	\$0.412
60 – 64	\$0.642	\$0.594	\$0.642
65 – 69	\$1.122	\$1.037	\$1.122
70 – 74	\$1.990	\$1.837	\$1.990
75 – 79	\$3.080	\$2.843	\$3.080
80 – 84	\$4.720	\$4.357	\$4.720
85	\$4.820	\$4.449	\$4.820
86	\$5.160	\$4.763	\$5.160
87	\$5.540	\$5.113	\$5.540
88	\$5.940	\$5.483	\$5.940
89	\$6.380	\$5.889	\$6.380
90	\$6.850	\$6.323	\$6.850
91	\$7.400	\$6.830	\$7.400
92	\$8.010	\$7.393	\$8.010
93	\$8.740	\$8.067	\$8.740
94	\$9.590	\$8.852	\$9.590
95	\$10.930	\$10.088	\$10.930
96	\$13.130	\$12.119	\$13.130
97	\$16.910	\$15.608	\$16.910
98	\$23.340	\$21.543	\$23.340
99	\$25.070	\$23.140	\$25.070

*Rates quoted for three-year period, July 1, 2015 through June 30, 2018

Dependent Rates* (rate per dependent per month)

Group	Minnesota Life
Spouse Only 10,000	\$3.08
Spouse Only 20,000	\$7.05
Spouse 10,000 and Children 10,000	\$4.24
Spouse 20,000 and Children 10,000	\$8.21
Child Only 10,000	\$1.16

Rates Proposed with Active 0%/Ported 15% Increases and 6.6% Across the Board effective July 1, 2018 – June 30, 2020

Age Group	Current Rates		Proposed 0%/15% Rates		Proposed 6.6% Rates	
	Active	Ported	Active - At 0% increase	Ported - At 15% increase	Active - At 6.6% increase	Ported - At 6.6% increase
<25	\$0.050	\$0.052	\$0.050	\$0.057	\$0.052	\$0.054
25 – 29	\$0.050	\$0.052	\$0.050	\$0.057	\$0.052	\$0.054
30 – 34	\$0.059	\$0.062	\$0.059	\$0.068	\$0.061	\$0.065
35 – 39	\$0.077	\$0.082	\$0.077	\$0.091	\$0.081	\$0.086
40 – 44	\$0.096	\$0.102	\$0.096	\$0.114	\$0.101	\$0.107
45 – 49	\$0.142	\$0.152	\$0.142	\$0.172	\$0.150	\$0.161
50 – 54	\$0.244	\$0.262	\$0.244	\$0.298	\$0.259	\$0.278
55 – 59	\$0.382	\$0.412	\$0.382	\$0.471	\$0.406	\$0.438
60 – 64	\$0.594	\$0.642	\$0.594	\$0.735	\$0.632	\$0.683
65 – 69	\$1.037	\$1.122	\$1.037	\$1.287	\$1.104	\$1.195
70 – 74	\$1.837	\$1.990	\$1.837	\$2.289	\$1.958	\$2.121
75 – 79	\$2.843	\$3.080	\$2.843	\$3.542	\$3.031	\$3.283
80 – 84	\$4.357	\$4.720	\$4.357	\$5.428	\$4.645	\$5.032
85	\$4.449	\$4.820	\$4.449	\$5.543	\$4.743	\$5.138
86	\$4.763	\$5.160	\$4.763	\$5.934	\$5.077	\$5.501
87	\$5.113	\$5.540	\$5.113	\$6.371	\$5.450	\$5.906
88	\$5.483	\$5.940	\$5.483	\$6.831	\$5.845	\$6.332
89	\$5.889	\$6.380	\$5.889	\$7.337	\$6.278	\$6.801
90	\$6.323	\$6.850	\$6.323	\$7.878	\$6.740	\$7.302
91	\$6.830	\$7.400	\$6.830	\$8.510	\$7.281	\$7.888
92	\$7.393	\$8.010	\$7.393	\$9.212	\$7.881	\$8.539
93	\$8.067	\$8.740	\$8.067	\$10.051	\$8.599	\$9.317
94	\$8.852	\$9.590	\$8.852	\$11.029	\$9.436	\$10.223
95	\$10.088	\$10.930	\$10.088	\$12.570	\$10.754	\$11.651
96	\$12.119	\$13.130	\$12.119	\$15.100	\$12.919	\$13.997
97	\$15.608	\$16.910	\$15.608	\$19.447	\$16.638	\$18.026
98	\$21.543	\$23.340	\$21.543	\$26.841	\$22.965	\$24.880
99	\$23.140	\$25.070	\$23.140	\$28.831	\$24.667	\$26.725

Group	Minnesota Life (Current)	Minnesota Life (at 20% increase)	Minnesota Life (at 6.6% increase)
Spouse Only 10,000	\$3.08	\$3.70	\$3.28
Spouse Only 20,000	\$7.05	\$8.46	\$7.52
Child Only 20,000	N/A	\$2.78	\$2.48
Child Only 10,000	\$1.16	\$1.39	\$1.24

Rate Caps/Adjustments

7/1/2018 through 6/30/2020

- The below chart illustrates the maximum rate adjustments to the State of Delaware's GUL and Dependent Term Life plans from 7/1/2018 through 6/30/2020:

Constant Loss Ratio	Active, Disabled, Retired and Ported GUL	Group Plan Spouse and Child Term Life
74.9% and lower	10% + decrease	15% + decrease
75.0% - 79.9%	5 – 15% decrease	5 – 15% decrease
80.0% - 84.9%	0 – 10% decrease	0 – 10% decrease
85.0% - 89.9%	0% change	0% change
90.0% - 94.9%	0 – 10% increase	0 – 10% increase
95.0% - 99.9%	5 – 15% increase	5 – 15% increase
100.0% - 104.9%	10 – 20% increase	10 – 20% increase
105.0% - 109.9%	15 – 20% increase	15 – 20% increase
110% and higher	20% increase	20% increase